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Southern District of New York*

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**U.S. CHARGES THREE, INCLUDING TWO CONVICTED FELONS,
IN \$16 MILLION REAL ESTATE SECURITIES FRAUD SCHEME**

MICHAEL J. GARCIA, the United States Attorney for the Southern District of New York, announced today the arrests of MARK ALAN SHAPIRO, IRVING STITSKY, and WILLIAM B. FOSTER on charges of securities fraud, and conspiracy to commit mail, wire, and securities fraud. The charges arise from their involvement in a securities fraud scheme involving the Cobalt Capital real estate companies ("Cobalt"), through which millions of dollars in investor funds were allegedly misappropriated. SHAPIRO, STITSKY and FOSTER are also alleged to have caused false and misleading statements and omissions to be made to investors to secure their investments in Cobalt.

According to a criminal complaint unsealed today, Cobalt purports to acquire and develop multifamily properties throughout the United States, with the primary focus being the acquisition and development of residential apartment properties. Cobalt has allegedly raised more than approximately \$16 million from more than approximately 150 investors.

According to the complaint, SHAPIRO, STITSKY and FOSTER are accused of misappropriating funds invested in Cobalt from July 2004 through November 30, 2005. They are alleged to have used investor funds to make undisclosed loans to SHAPIRO and STITSKY, and to pay for personal expenses of SHAPIRO, STITSKY and FOSTER.

In particular, the complaint alleges that hundreds of thousands of dollars of Cobalt funds were used to pay for construction costs related to SHAPIRO's residence. In addition, approximately \$2.2 million of Cobalt funds were transferred to a trust account, not affiliated with Cobalt and under the control of SHAPIRO, which was then used to pay SHAPIRO's personal expenses, including payments for jewelry and vehicles. Approximately \$214,000 of Cobalt investor funds were transferred to the United

States District Court for the District of Connecticut as partial payment for restitution owed by SHAPIRO from his prior convictions for bank and tax fraud. FOSTER also received approximately \$646,000 in Cobalt investor funds, and STITSKY received loans or advances totaling approximately \$48,000.

The complaint also alleges that, in addition to misappropriating funds, SHAPIRO, STITSKY and FOSTER misled investors regarding their personal backgrounds and their actual involvement in Cobalt's operations. From approximately July 2004 through approximately December 1, 2005, materials provided by Cobalt to investors stated that FOSTER was in charge of overseeing all aspects of the operations of the affiliated Cobalt companies. One of the documents provided to the investors described SHAPIRO as a consultant, and none of the documents indicated that STITSKY played any role in the companies.

According to the complaint, however, SHAPIRO was in fact responsible for running the day-to-day operations of Cobalt affiliated companies. The materials provided to the investors fail to disclose SHAPIRO's true role in Cobalt, and further failed to disclose that SHAPIRO was previously convicted of bank fraud and conspiracy to commit tax fraud, and was sentenced to a term of 30 months' incarceration.

Similarly, according to the complaint, although the materials provided to the investors failed to indicate that STITSKY played any role in the companies, STITSKY was in charge of raising money for Cobalt, and ran the Great Neck Office "boiler room." The materials provided to investors further failed to disclose that STITSKY was previously convicted in the Southern District of New York of conspiracy to commit securities fraud, wire fraud and commercial bribery, and, in the Eastern District of New York, of making false statements and conspiracy to commit securities fraud. The materials also failed to disclose that STITSKY is currently on pre-trial release in a case pending in the District of New Jersey in which he is charged with one count of conspiracy to commit securities fraud, mail fraud, and wire fraud, one count of securities fraud, and one count of conspiracy to commit money laundering.

If convicted, SHAPIRO, STITSKY, and FOSTER each face a maximum sentence of 20 years in prison on the securities fraud charge, and a \$5 million fine. They face a maximum of five years in prison on the conspiracy charge, and a \$250,000 fine.

SHAPIRO and FOSTER are expected to be presented today in federal court in Massachusetts, and STITSKY is expected to be presented today in federal court in Manhattan.

Mr. GARCIA praised the investigative efforts of the Federal Bureau of Investigation and the United States Securities and Exchange Commission. He said the investigation is continuing.

Assistant United States Attorneys MARC LITT and STEVEN D. FELDMAN are in charge of the prosecution.

The charges contained in the complaint are merely accusations, and the defendants are presumed innocent unless and until proven guilty.

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